

July 31, 2025

Execution to pick-up; Order inflows remain strong...

About the stock: Bharat Electronics (BEL) is a leading aerospace and defence electronics company. It primarily manufactures advanced electronics products

- Multi-product, multi-technology - diverse product range including radar, missile systems, electronic warfare & avionics, anti-submarine warfare, electro-optics, homeland security, civilian products, etc
- Company's order backlog stands at ~₹ 80000 crore as of June-25 end

Investment Rationale:

- Healthy order-book position with robust pipeline provides strong growth visibility:** BEL's order backlog stands at ~₹ 80000 crore as of Jun-25 (3.3x FY25 revenues), which provides healthy revenue growth visibility over the next 2-3 years considering the steady execution. Moreover, orders pipeline remains robust for BEL in defence electronic systems (including electronic warfare, radars, communication & control systems, navigation systems, avionics etc for various platforms), non-defence and exports. Management has provided a guidance of ~₹ 27000+ crore of order inflow in FY26E (~₹ 10000 crore worth of orders received in YTD FY26). Orders inflow during FY27E is likely to be even much higher than annual run-rate, with the expectation of large-scale order of QRSAM (Rs 30000 crore), getting placed with the company. Management's guidance of ~15+% YoY revenue growth with ~27+% EBITDA margin has been reiterated, showing well-planned execution
- Favourable ecosystem for domestic defence industry:** We believe that the defence electronics market in India is experiencing significant growth, driven by efforts to boost domestic production and reduce dependence on imports. As per the industry reports, defence electronics contribution increased to 30-35% in most platforms and is expected to increase further in the coming years, led by increasing required modernisation in platforms. With having strong capabilities in designing, developing & manufacturing a wide range of strategic electronic products/systems, we believe that BEL is strongly positioned to capture this huge opportunity considering MoD's push for greater indigenous content in large scale programs like aircrafts, warships, submarines, missiles, combat vehicles, unmanned ariel vehicles etc. Furthermore, non-defence areas (like space, railways, metros, civil aviation etc) and exports present sizable opportunity for BEL in the coming years

Rating and Target Price

- With healthy order-backlog, robust pipeline and improving execution led by increasing indigenisation, we believe that BEL provides strong earnings visibility. We expect revenue & PAT CAGR at ~17% each over FY25-27E.
- We maintain BUY on BEL with a revised target price of ₹ 450 per share (based on 45x FY27E EPS)

Key Financial Summary

(Year-End March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	15,368	17,734	20,268	23,769	15.6	27,809	32,537	17.0
EBITDA	3,341	4,086	5,046	6,834	26.9	7,787	9,208	16.1
EBITDA margin (%)	21.7	23.0	24.9	28.8		28.0	28.3	
Net Profit	2,400	2,986	3,985	5,323	30.4	6,104	7,276	16.9
EPS (Rs)	3.3	4.1	5.5	7.3		8.4	10.0	
P/E (x)	116.6	93.8	70.3	52.6		45.9	38.5	
EV/EBITDA (x)	81.5	66.5	53.3	39.6		34.4	28.7	
RoCE (%)	25.8	28.4	32.3	35.6		34.3	34.1	
RoE (%)	19.5	21.5	24.4	26.6		25.7	25.6	

Source: Company, ICICI Direct Research



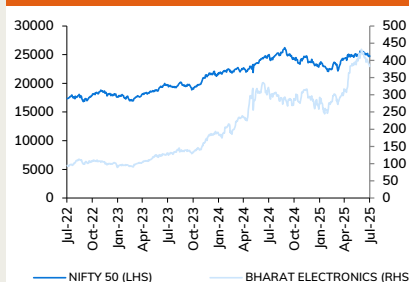
Particulars

Particulars (Rs Crore)	Amount
Market Capitalization	2,79,965
Total Debt (FY25)	0.0
Cash and Inv (FY25)	9,545
EV (FY25)	2,70,419
52 week H/L	436 / 240
Equity capital	731.0
Face value (Rs)	1.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	51.1	51.1	51.1	51.1
FII	17.3	17.3	17.6	18.6
DII	20.2	20.9	20.9	20.6
Others	11.4	10.6	10.4	9.7

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials/components

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Q1FY26 Result Summary

- Operational performance during the quarter remained muted on YoY basis as revenue increased by 4.6% YoY (-51.5% QoQ) to ₹ 4439.7 crore
- EBITDA margin improved substantially by 555 bps YoY (-289 bps QoQ) to 27.9%, led by lower raw material cost
- Subsequently, absolute EBITDA grew by 30.6 % YoY (-56 % QoQ) to ₹ 1238.3 crore
- PAT was up 22.5% YoY (-54.4 % QoQ) to ₹ 969.1 crore

Earnings call highlights

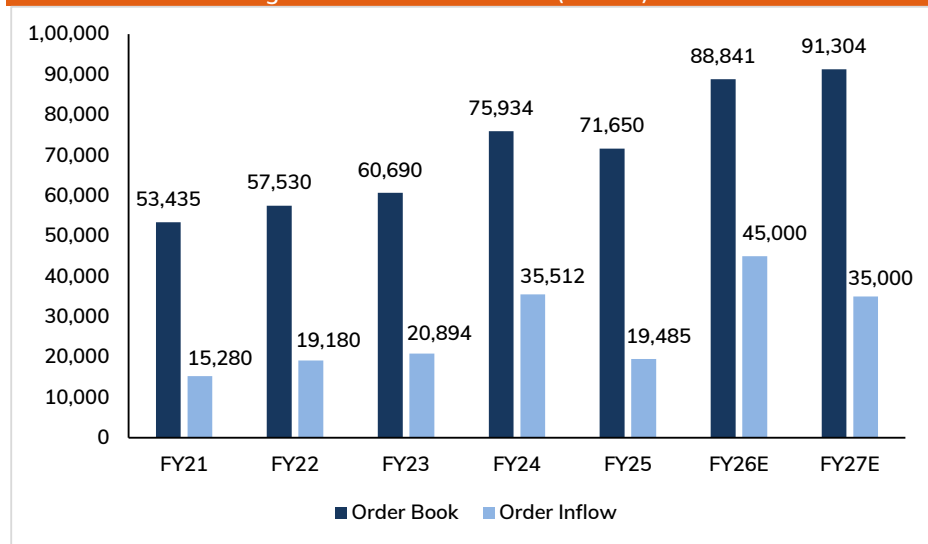
- Revenue growth for the quarter was muted as the management has cited geopolitical issues for delaying in execution (₹ 200 crore more were expected to be completed). However, this ₹ 200 crore of revenue is expected to be spilled over in Q2FY26E
- Company has maintained its guidance for revenue growth at ~15+% YoY for FY26E and EBITDA margin at ~27+%.
- Order backlog stands at ~₹ 80000 crore as of Jun-25 end. Order inflows during the YTD FY26 stands at ~₹ 10000 crore
- The order book now comprises of major orders consisting of Long-Range Surface to Air Missile (LRSAM) ~₹5000+ crore, Fuses ~₹4500+ crore, Akash Prime ~₹3000+ crore, BMP ~₹3000+ crore, Ashwini and Arudra radar ~₹2500+, Shakti Electronic Warfare systems ~₹2500+ crore. The top 12 orders for the company constitute of 50% of the order book
- Defence contributes ~90% of the revenue while non-defence segment contribute ~10%
- Major orders that the company expects to execute in the year consists of LRSAM ~₹ 3000 crore, Himshakti ~₹ 1700 crore, Akash Prime ~₹ 1300 crore, D-29, LRA for LCA, Arudra (~₹ 600 crore each), Shakti EW, BMP-2 (₹ 500 crore each) etc.
- The company has also received development orders for Project Kusha, Virupaksha radar for Su-30 MKI. The Virupaksha order has only two companies for complete system development (BEL and Astra Microwave Systems). While, the Kusha order has a conversion period in 3-4 years.
- Apart from these orders, management expects a Quick-Reaction Surface to Air Missile (QRSAM) order to the tune of ~Rs 30000 crore by Q4FY26E/Q1FY27E as it has now been cleared by Defence Acquisition Council (DAC). This order would be the biggest till date for the company which will consist of orders from both the Army and Air Force
- With regard to drones and anti-drones' development the management expects a strong demand in the coming years and have currently bid for supplying in Archer and MALE drones in HAL project. They have also received RFP for Samaghat and are expecting for Shatrughat which combined would create an order of ~₹ 6500+ crore
- For FY26E, order inflows guidance is ~Rs 27000+ crore. The company currently has already received ~Rs 10000 crore in YTD FY26E. Of this order book the management expects to execute over ~₹ 22000+ crore in the next 2 years
- Regarding the latest declaration of an Emergency Fund of Rs 50000 crore sanctioned by DAC, the management is expecting orders in Q2FY26E and have received a few in Q1FY26E
- On the export side, the management targets a ~10% contribution in revenue over the next years, and currently targets ~Rs 1000 crore for FY26E

- Concerning capital expenditures, the management is focused on developing new facilities in different locations, some of which may be larger than the existing ones. To facilitate this, an annual investment of Rs 1000 crore is proposed
- The company invests 6-7% of its revenue towards R&D and has planned a ~₹ 1600-1800 crore investment in FY26E for the same
- The management also stated that the delays in LCA- Mk1 is not affecting them in terms of delivery to HAL. They also expect a contribution of ~₹ 1000 crore from HAL in terms of revenue
- The company is also not being affected due to the ongoing rare-earth metals sourcing issues as they have a very mere contribution into EV catering

Exhibit 1: Q1FY26 result snapshot (₹ crore)

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Net Sales	4,439.7	4,243.6	4.6	9,149.6	-51.5	Execution was impacted due to geopolitical situation
Other income	163.3	203.6		194.6	-16.1	
Total Revenue	4,603.1	4,447.2		9,344.2	-50.7	
Raw materials costs	2,076.1	2,315.1		4,748.9	-56.3	
Employees Expenses	696.5	666.6		766.1	-9.1	
Other Expenses	428.9	313.7		818.5	-47.6	
Total Expenditure	3,201.5	3,295.4		6,333.5	-49.5	
EBITDA	1,238.3	948.2	30.6	2,816.1	-56.0	
EBITDA margins (%)	27.9	22.3	555 bps	30.8	-289 bps	Margins improved on strong execution of better margin contracts
Interest	1.4	1.2		5.9	-75.4	
Depreciation	120.8	107.7		137.6	-12.2	
Tax	318.7	261.9		746.4	-57.3	
PAT	969.1	791.3	22.5	2,126.9	-54.4	

Source: Company, ICICI Direct Research

Exhibit 2: Order backlog and order inflows trend (₹ crore)


Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement

₹ crore

Year-End March	FY24	FY25	FY26E	FY27E
Revenue	20,268	23,769	27,809	32,537
% Growth	14.3	17.3	17.0	17.0
Other income	670.1	742.4	890.8	1,113.5
Total Revenue	20,268	23,769	27,809	32,537
% Growth	14.3	17.3	17.0	17.0
Total Raw Material Costs	10,576	12,187	14,461	16,822
Employee Expenses	2,489	2,761	3,337	3,904
other expenses	2,156	1,987	2,225	2,603
Total Operating Expenditure	15,222	16,935	20,023	23,329
Operating Profit (EBITDA)	5,046	6,834	7,787	9,208
% Growth	23.5	35.4	13.9	18.3
Interest	7	10	10	10
PBDT	5,709	7,566	8,667	10,312
Depreciation	443	467	534	612
PBT before Exceptional Items	5,266	7,099	8,134	9,700
Total Tax	1,323	1,812	2,074	2,473
PAT before MI	3,943	5,287	6,059	7,226
PAT	3,985	5,323	6,104	7,276
% Growth	33.5	33.6	14.7	19.2
EPS	5.5	7.3	8.4	10.0

Source: Company, ICICI Direct Research

Exhibit 4: Cash Flow Statement

Year-End March	FY24	FY25	FY26E	FY27E
Profit after Tax	3,985	5,323	6,104	7,276
Depreciation	443	467	534	612
Interest	7	10	10	10
Cash Flow before WC changes	4,436	5,800	6,648	7,898
Changes in inventory	(999)	(1,672)	(1,548)	(1,368)
Changes in debtors	(359)	(1,724)	(1,550)	(1,368)
Changes in loans & Advances	0	(0)	(0)	(0)
Changes in other current assets	425	941	(1,028)	(1,276)
Net Increase in Current Assets	(1,070)	(2,306)	(4,126)	(4,012)
Changes in creditors	376	(368)	852	1,158
Changes in provisions	67	45	98	232
Net Inc in Current Liabilities	1,461	(2,274)	3,905	4,321
Net CF from Operating activities	4,826	1,219	6,428	8,207
Changes in deferred tax assets	(71)	40	-	-
(Purchase)/Sale of Fixed Assets	(633)	(904)	(1,000)	(1,000)
Net CF from Investing activities	(452)	(940)	(1,811)	(1,275)
Dividend and Dividend Tax	(1,608)	(1,754)	(2,120)	(2,558)
Net CF from Financing Activities	(1,449)	(1,790)	(2,402)	(2,603)
Net Cash flow	2,925	(1,512)	2,214	4,329
Opening Cash/Cash Equivalent	8,132	11,057	9,545	11,759
Closing Cash/ Cash Equivalent	11,057	9,545	11,759	16,088

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

Year-End March	FY24	FY25	FY26E	FY27E
Equity Capital	731.0	731.0	731.0	731.0
Reserve and Surplus	15,596	19,243	23,032	27,715
Total Shareholders funds	16,327	19,974	23,763	28,446
Other Non Current Liabilities	65.1	73.3	73.3	73.3
Total Debt	-	-	-	-
Total Liabilities	17,500	21,079	24,868	29,551
Gross Block	5,701	6,584	7,637	8,637
Acc. Depreciation	2,912	3,379	3,913	4,525
Net Block	2,788	3,205	3,724	4,112
Capital WIP	456	477	500	500
Total Fixed Assets	3,929	4,471	5,013	5,402
Non Current Assets	1,383	1,342	2,153	2,428
Inventory	7,447	9,119	10,667	12,034
Debtors	7,392	9,116	10,667	12,034
Loans and Advances	1	1	2	2
Other Current Assets	7,422	6,481	7,509	8,785
Cash	11,057	9,545	11,759	16,088
Total Current Assets	34,063	34,858	41,198	49,539
Current Liabilities	3,706	3,339	4,190	5,349
Provisions	967	902	902	902
Total Current Liabilities	22,027	19,753	23,657	27,978
Net Current Assets	12,036	15,105	17,541	21,560
Total Assets	17,500	21,079	24,868	29,551

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	5.5	7.3	8.4	10.0
Cash per Share	15.1	13.1	16.1	22.0
BV	22.3	27.3	32.5	38.9
Dividend per share	2.2	2.4	2.9	3.5
Dividend payout ratio	40%	33%	35%	35%
EBITDA Margin	24.9	28.8	28.0	28.3
PAT Margin	19.7	22.4	22.0	22.4
RoE	24.4	26.6	25.7	25.6
RoCE	32.3	35.6	34.3	34.1
RoIC	87.3	61.0	60.4	69.6
EV / EBITDA	53.3	39.6	34.4	28.7
P/E	70.3	52.6	45.9	38.5
EV / Net Sales	13.3	11.4	9.6	8.1
Sales / Equity	1.2	1.2	1.2	1.1
Market Cap / Sales	13.8	11.8	10.1	8.6
Price to Book Value	17.1	14.0	11.8	9.8
Asset turnover	1.2	1.2	1.2	1.1
Debtors Turnover Ratio	2.8	2.9	2.8	2.9
Creditors Turnover Ratio	5.8	6.7	7.4	6.8
Debt / Equity	-	-	-	-
Current Ratio	3.9	4.5	4.5	4.2
Quick Ratio	2.6	2.9	2.8	2.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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